# GOVERNMENT OF INDIA
# FINANCE
# LOK SABHA

UNSTARRED QUESTION NO:2487
ANSWERED ON:10.03.2000
OPENING OF BANKS
RAVINDRA KUMAR PANDEY

**Will the Minister of FINANCE be pleased to state:**

(a) the details of existing rules laid down for opening various types of banks;

(b) whether any requests have been received for opening the banks in Chandrapura, Bokaro and Kutum Amba district of Bihar during 1998-99;

(c) if so, the details thereof; and

(d) the action taken by the Government in this regard?

## Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALA SAHEB VIKHE PATIL):

(a) Details of the existing policy relating to opening different types of banks are given below:-

(i) Private Sector Banks RBI considers grant of licences to applicants intending toset up new banks in the private sector in accordance with the guidelines dated 22nd January, 1993 issued in this regard. The Minimum capital requirement for setting a commercial bank in the private sector is Rs. 100 crore out of which a minimum of Rs. 40 crore is to be contributed by the promoters. While permitting the entry of new private sector banks, the following considerations are kept in view:-

# They sub-serve the underlying goal of financial sector reforms, which are to provide competitive efficient and low-cost financial intermediation services for the society at large. They are financially viable.

They should result in upgradation of technology in the banking sector. They avoid short-comings such as untaff preemption and concentration of credit, monopolisation of economic power, cross holdings with industrial groups etc.

(ii) Foreign Banks RBI considers request from foreign banks for opening of maiden branchesin India, under Section 22 of the Banking Regulation Act, 1949 keeping in view the following criteria :-

# Financial soundness of the Bank .

# International and home country ranking Rating

# Economic and trade relations between the two countries.

The home country regulations and supervisory control Home country regulator`s approval foropening of the branches in India. A minimum capital requirement for opening maiden branch is US$ 10 miliion and additional capacity, further USS 10 miflion for opening second branch and US$ 5 million for opening third and subsequent branches.

(iii) Local Area Banking in Private Sector With a view to provide institutional mechanismfor promoting rural saving as well as for the provision of credit for viable economic activities in the local areas, RB! considers the application for setting up of localareas banks. The minimum paid up capita! for such a bank is Rs. 5 crore. The promoterscontribution for such a bank shall be at least Rs. 2 crore. The Bank will operate in a maximum three geographical Â¦Â¦ contiguous districts and the Head office of the Bank wifl be located at the centre of the area of operation of the bank. These banks are expected to bridge the gap in credit availability and enhance the institutional credit frame work in the rural and semi urban areas.

(b) No request appears to have been received for opening new banks in Chandrapura, Bokaro,Kutumba-Amba districts of Bihar during 1998-99 in private sector or by foreign banks.

(c) and (d) Do not arise.